



Information Technology Investment Board Finance and Audit Committee October 2008

This Finance Report covers the following topics:

- Fiscal Year 2009 VITA Financial Results (thru August 31, 2008)
 - Cash Flow – Internal Service Fund
 - Northrop Grumman payments
 - Accounts Receivable
- Virginia Enterprise Applications Project Office Financial Results
- Biennial Budget Update
- Appendix – Combining Balance Sheets and Combining Statement of Revenues, Expenses and Changes in Net Assets

FY 2009 Financial Results

Financial Results All Funds

	<i>FY2009 Budget</i>	<i>Aug-08 YTD Actual</i>	<i>Actual as a % of Budget</i>
<u>All Funds</u>			
Revenues, including transfers in	\$321,657,661	\$54,333,443	16.9%
Expenses, including transfers out	<u>320,354,868</u>	<u>52,806,453</u>	16.5%
Net Change	<u>\$1,302,793</u>	1,526,990	
Retained Earnings, July 1		<u>29,654,719</u>	
Ending Retained Earnings		<u>\$31,181,709</u>	

Combined financial activity in all funds in fiscal year 2009 through two (2) months is running about on target. Revenue and Expense details for various programs are described following the fund tables below.

**YTD Financial Results
Internal Services Funds**

	<i>FY2009 Budget</i>	<i>Aug-08 YTD Actual</i>	<i>Actual as a % of Budget</i>
<u>ISF</u>			
Revenues, including transfers in	\$261,769,414	\$43,154,842	16.5%
Expenses, including transfers out	<u>\$261,769,414</u>	<u>43,840,307</u>	16.7%
Net Change	<u><u>\$0</u></u>	(685,465)	
Retained Earnings, July 1		<u>11,275,601</u>	
Ending Retained Earnings		<u><u>\$10,590,136</u></u>	

The Internal Service Fund program represents the core of VITA's business, and accounts for the majority of revenues and expenses, including telecommunications, computer services, and shared rate (agency-based) services.

On the revenue side, final inventory reconciliation and short comings in monthly billing data continues to have impact on revenue collection. For example, the reconciliation of DMV's inventory uncovered approximately 300 servers that were not in inventory, and therefore not billing to the customer agency in the past. This omission translated into lost revenue through the first two months of FY09 of about \$360,000.

**YTD Financial Results
Enterprise**

Enterprise Funds	<i>FY2009 Budget</i>	<i>Aug-08 YTD Actual</i>	<i>Actual as a % of Budget</i>
Revenues, including transfers in	\$51,121,838	\$7,994,085	15.6%
Expenses, including transfers out	\$49,819,045	7,803,595	15.7%
Net Change	\$1,302,793	190,490	
Retained Earnings, July 1		16,790,004	
Ending Retained Earnings		\$16,980,494	

VITA's Enterprise Fund is comprised of Wireless E-911 activity. Revenue receipts from the E-911 carriers run 30-60 days behind. We have accrued any estimated uncollected receipts through August. Expenses reported through August include actual payments for localities and other vendors for FY09 services as well as estimated expenses for months not yet billed.

**YTD Financial Results
General Fund**

GF	<i>FY2009 Budget</i>	<i>Aug-08 YTD Actual</i>	<i>Actual as a % of Budget</i>
Appropriations and transfers in	\$2,283,715	\$2,283,715	100.0%
Expenses, including transfers out	2,283,715	274,538	12.0%
Net Change	\$0	2,009,177	
Retained Earnings, July 1		0	
Ending Retained Earnings		\$2,009,177	

The General Fund appropriation supports statewide IT governance and oversight. VITA staff collaborate with key stakeholders in formulating a strategic vision and direction for IT in the Commonwealth, and then in translating that vision and direction into practical guidance in planning and implementing specific technology initiatives.

**YTD Financial Results
Special Revenue Funds**

Special Revenue and Dedicated Special Revenue	<i>FY2009 Budget</i>	<i>Aug-08 YTD Actual</i>	<i>Actual as a % of Budget</i>
Revenues, including transfers in	\$6,482,694	\$900,801	13.9%
Expenses, including transfers out	<u>\$6,482,694</u>	<u>888,013</u>	13.7%
Net Change	<u><u>\$0</u></u>	12,788	
Retained Earnings, July 1		<u>1,589,114</u>	
Ending Retained Earnings		<u><u>\$1,601,902</u></u>	

While VITA does have several distinct special revenue and dedicated special revenue funds, the current activity is primarily related to the IFA fund (which pays for acquisition and general government activities, including support to the Governor's Office, that would not normally be included as overhead billed to state agencies and other customers) and the geographic information system (VGIN) fund (which accounts for activities of the Virginia Base Mapping Program and similar activities).

**YTD Financial Results
Federal Funds**

Federal	FY2009 Budget	Aug-08 YTD Actual	Actual as a % of Budget
Revenues, including transfers in	\$0		
Expenses, including transfers out	0		
Net Change	\$0	0	
Retained Earnings, July 1		0	
Ending Retained Earnings		\$0	

Currently VITA has no Federal Grants.

Cash Flow – Internal Service Fund (ISF)

ISF Cash with Treasurer of Virginia

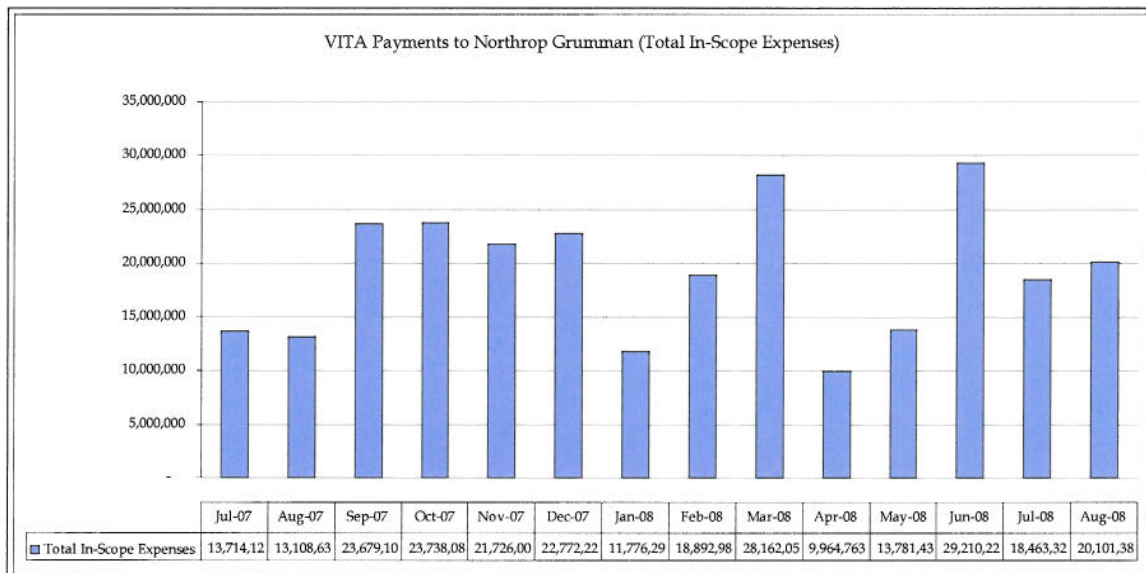
Cash with Treasurer of Virginia		
30-Jun-08	\$	18,120,580
31-August-08	\$	6,767,291

VITA - ISF Cash On-Hand (end of month)



The chart above reflects revenue collections net of expenditures at the end of each month, and **DOES NOT include working capital cash advances/treasury loans** (which totaled \$10.0-15.0 million for much of fiscal 2008).

VITA Payments to Northrop Grumman (Total In-Scope Expenses)



Accounts Receivable (as of August 31, 2008)				
	Total	Current	1-30 Days	> 30 Days
Telecommunications	12,423,059	11,537,958	547,194	337,907
Computer Services	5,077,111	3,973,000	941,084	163,028
Dec. Services	14,035,085	6,067,785	982,452	6,984,848
T&M	584,769	223,843	73,609	287,317
Other	152,219	784	31,569	119,866
Total Internal Service Funds	32,272,243	21,803,370	2,575,908	7,892,965

Outstanding accounts receivable increased by about a third over the June 30, 2008 balance. The increase is primarily in the decentralized services area. Many customers paid their outstanding balances before the end of FY08 in an effort to spend FY08 funds and after receiving additional funding from DPB. Ten (10) customers account for 82% of the total decentralized accounts receivable balance at August 31, 2008. Several of these have multiple invoices outstanding at 8/31/08. We are working with customers to collect all outstanding amounts.

Virginia Enterprise Applications Project Office

	Budget	Projected Actual (8/31/08)	Remaining Budget
Personnel	2,235,800	59,896	2,175,904
Office Space	50,688	62,899	-12,211
Operational Costs	43,053	63	42,990
Other	87,411	11,648	75,763
Contracts	10,361,880	262,611	10,099,269
<i>Strategic Consultants</i>	6,511,880	262,611	6,249,269
<i>Hardware/Software</i>	3,850,000	0	3,850,000
Office Supplies	5,800	1,049	4,751
Travel/Business Meals	3,000	356	2,644
Total as approved at April meeting	12,787,632	398,522	12,389,110
 GF Reduction from DPB in July	 16,563		
 Revised Total	 12,771,069	 398,522	 12,372,547

CIO/CAO OpPlan work continues for data management, application portfolio, and application strategies.

VITA SCM awarded the Business Intelligence procurement to a small business, Northern Virginia company, LogiXML. The server-based contract can run for ten years, with 10% yearly maintenance fees on each purchase. Maintenance fees of 20-25% are not uncommon in this field. The contract is also open to all public bodies within the United States.

The CGI/TAX benefits stream has been producing results, but not at a level to trip a revenue source for repayment of the Working Capital Advance. This has not been due to CGI collections; which have been greater than 200% better than expected. The New Account Placement has been approximately one third of what was originally assumed for the original projections. However, in August, the new accounts coming into the process went up by over 200%. This should greatly increase the benefits stream, especially if CGI can maintain their high rate of liquidation versus target liquidation.

VEAP continues to work numerous enterprise solutions for supporting overall shared services. The Business Intelligence Competency Center and the Electronic Content Management Center of Excellence have both been making progress to providing capabilities in their respective areas.

2008 – 2010 Biennial Budget Update

Governor Kaine recently advised citizens and state agencies that anticipated revenues for the remainder of the current biennium (fiscal years 2009 and 2010) are continuing to decline since the last assessment. State agencies were directed to prepare 5%, 10%, and 15% contingency scenarios for decreasing general fund (GF) budgets.

VITA's submission is shown below. Our reduction targets (the total amounts below) are based on our entire general fund budget (about \$2.284 million) minus the last, 1.5% budget cut (\$34K). In selecting strategies we focused on (1) avoiding the elimination of filled full-time positions and (2) reducing discretionary expenses consistent with current state spending restriction guidance.

GENERAL FUND REDUCTION PLAN

<i>Strategy</i>	<i>Explanation</i>	<i>FY</i>	PROPOSED REDUCTION AMOUNT		
			<i>5% Plan</i>	<i>10% Plan</i>	<i>15% Plan</i>
<u><i>Eliminate wage position for business development</i></u>	Responsibilities for promoting VITA services to new customers will be realigned among current customer service staff to be paid from existing internal service funds. One wage position (3/4 year in FY 2009) will be eliminated.	2009	\$109,112	\$109,112	\$109,112
		2010	\$112,473	\$145,482	\$145,482
<u><i>Reduce discretionary spending for IT governance</i></u>	Spending for consulting services, training, travel and supplies for IT governance staff will be reduced. Depending upon state priorities, VITA staff support for VEAP and CAO and/or work on VITA's primary IT governance mission may be affected.	2009	\$3,361	\$83,000	\$83,000
		2010	\$0	\$79,464	\$83,000
<u><i>Reduce consulting support for CIO, ITIB</i></u>	Spending for consulting services used to follow up on ITIB-identified interests in statewide IT management performance will be reduced. VITA will increase reliance on internal resources for enterprise-wide and various other strategic assessments.	2009	\$0	\$32,834	\$145,307
		2010	\$0	\$0	\$108,937
TOTALS:		<u>FY 2009</u>	<u>\$112,473</u>	<u>\$224,946</u>	<u>\$337,419</u>
		<u>FY 2010</u>	<u>\$112,473</u>	<u>\$224,946</u>	<u>\$337,419</u>

VITA has also, at the Department of Planning and Budget's request, recently reviewed and commented on the IT-related GF reduction strategies proposed by executive agencies. We found almost all of the strategies offered to be reasonable; however, until

the amounts of the approved GF reductions are known we can't project the impact on our future revenues.

Appendix



Virginia Information Technologies Agency
Combining Balance Sheet
Internal Service Funds
August 31, 2008

Program (Layout): RPT8001

	<u>Totals</u>
	<u>2009</u>
Assets	
Current Assets:	
Cash with Treasurer of Virginia	\$ 16,767,290.70
Petty Cash and Travel Advances	8,000.00
Accounts Receivable	32,272,243.17
Due From Other Funds	-
Due from Commonwealth of Virginia	-
Investments	-
Prepaid Expenses	28,753.68
Total Current Assets	<u>49,076,287.55</u>
Noncurrent Assets	
Depreciable Capital Assets, Net	9,006,428.33
Total Assets	<u>\$ 58,082,715.88</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 24,430,828.56
Interest Payable	-
Capital Lease Obligations	-
Due to Other Funds	-
Due to Other Agencies	-
Notes Payable	107,207.65
Advances from Treasurer of Virginia	10,000,000.00
Accrued Compensated Absences	1,535,178.32
Deferred Contract Revenue	-
Other Deferred Revenue	9,343,875.07
Due to Federal Government	-
Other Liabilities	-
Total Current Liabilities	<u>45,417,089.60</u>
Noncurrent Liabilities:	
Notes Payable	-
Accrued Compensated Absences	2,075,489.86
Capital Lease Obligations	-
Deferred Contract Revenue	-
Total Noncurrent Liabilities	<u>2,075,489.86</u>
Total Liabilities	<u>47,492,579.46</u>
Net Assets	
Investment in Capital Assets, Net of Related Debt	8,899,220.68
Unrestricted	1,690,915.74
Total Net Assets	<u>10,590,136.42</u>
Total Liabilities and Net Assets	<u>\$ 58,082,715.88</u>

Run: September 24, 2008 at 08:45 AM



**Virginia Information Technologies Agency
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Period Ended: August 31, 2008**

Program (Layout): RPT8039

	<u>Totals</u> <u>2009</u>
Operating Revenues	
Charges for Services	\$ 43,031,548.52
Total Operating Revenues	<u>43,031,548.52</u>
Operating Expenses	
Personal Expenses	4,940,218.07
Contractual Services	36,271,145.91
Supplies and Materials	35,713.93
Educational Assistance and Transfer Payments	7,842.94
Rent, Insurance & Other Related Charges	104,267.43
Depreciation	1,182,952.04
Expendable Equipment/Improvements	<u>1,174,235.43</u>
Total Operating Expenses	<u>43,716,375.75</u>
Operating Income (Loss)	<u>(684,827.23)</u>
Nonoperating Revenues(Expenses)	
Interest	(637.50)
Depreciation	(123,294.29)
Reimbursement to Federal Government	-
Revenue from the Sale of Recyclable Materials	-
Realized Gain -- Assets	123,294.27
Proceed from Insurance Recoveries	-
Sale of Surplus Property	-
Loss on Fixed Asset Disposal	<u>-</u>
Total Nonoperating Expenses	<u>(637.52)</u>
Income (Loss) Before Transfers	<u>(685,464.75)</u>
Transfers	
Transfers from Other Funds	-
Transfers to the General Fund of the Commonwealth	-
Transfers from the General Fund of the Commonwealth	<u>-</u>
Total Transfers	<u>-</u>
Increase (Decrease) in Net Assets	(685,464.75)
Total Net Assets, July 1	<u>11,275,601.17</u>
Total Net Assets, August 31	<u>\$ 10,590,136.42</u>

Run: September 24, 2008 at 08:47 AM



Virginia Information Technologies Agency
Combining Balance Sheet
Enterprise Funds
August 31, 2008

Program (Layout): RPT8024

	E-911 Wireless
Assets	
Current Assets:	
Cash with Treasurer of Virginia	\$ 22,264,832.84
Petty Cash and Travel Advances	-
Accounts Receivable	4,815,407.00
Due From Other Funds	385,160.85
Due from Commonwealth of Virginia	-
Investments	-
Prepaid Expenses	-
Total Current Assets	27,465,400.69
Noncurrent Assets	
Depreciable Capital Assets, Net	-
Total Assets	\$ 27,465,400.69
Liabilities	
Current Liabilities:	
Accounts payable	\$ 10,406,108.34
Interest Payable	-
Capital Lease Obligations	-
Due to Other Funds	-
Due to Other Agencies	-
Notes Payable	-
Advances from Treasurer of Virginia	-
Accrued Compensated Absences	27,808.50
Deferred Contract Revenue	-
Other Deferred Revenue	-
Due to Federal Government	-
Other Liabilities	-
Total Current Liabilities	10,433,916.84
Noncurrent Liabilities:	
Notes Payable	-
Accrued Compensated Absences	50,989.98
Capital Lease Obligations	-
Deferred Contract Revenue	-
Total Noncurrent Liabilities	50,989.98
Total Liabilities	10,484,906.82
Net Assets	
Investment in Capital Assets, Net of Related Debt	-
Unrestricted	16,980,493.87
Total Net Assets	16,980,493.87
Total Liabilities and Net Assets	\$ 27,465,400.69

Run: September 24, 2008 at 08:47 AM



Virginia Information Technologies Agency
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Enterprise Funds
For the Period Ended: August 31, 2008

Program (Layout): RPT8029

	E-911
	Wireless
Operating Revenues	
Charges for Services	\$ 7,994,085.00
Total Operating Revenues	<u>7,994,085.00</u>
Operating Expenses	
Payments to Virginia Interactive	-
Personal Expenses	161,407.50
Contractual Services	40,118.51
Supplies and Materials	2,781.27
Rent, Insurance & Other Related Charges	30.00
Depreciation	-
Expendable Equipment/Improvements	362.50
Non-recurring Cost Estimate Payments to Providers	<u>7,598,895.22</u>
Total Operating Expenses	<u>7,803,595.00</u>
Operating Income (Loss)	<u>190,490.00</u>
Nonoperating Revenues(Expenses)	
Interest	-
Revenue from the Sale of Recyclable Materials	-
Receipts on Behalf of Others	
Payments for Receipts Collected on Behalf of Others	
Loss on Fixed Asset Disposal	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Transfers	<u>190,490.00</u>
Transfers	
Transfers to Other State Agencies	-
Transfers to the General Fund of the Commonwealth	-
Transfers from the General Fund of the Commonwealth	<u>-</u>
Total Transfers	<u>-</u>
Increase (Decrease) in Net Assets	190,490.00
Total Net Assets, July 1 (revised)	<u>16,790,003.87</u>
Total Net Assets, August 31	<u><u>\$ 16,980,493.87</u></u>

Run: September 24, 2008 at 08:47 AM



Virginia Information Technologies Agency
Combining Balance Sheet
Governmental Funds
August 31, 2008

Program (Layout): RPT8034

	General Fund	Total Special Revenue Funds	Federal Funds	2009 Totals
Assets				
Cash with Treasurer of Virginia	\$ 2,009,239.92	\$ 1,455,167.53	\$ -	\$ 3,464,407.45
Petty Cash and Travel Advances	-	-	-	-
Accounts Receivable	-	534,205.36	-	534,205.36
Prepaid Expenses	-	-	-	-
Fixed Assets	-	-	-	-
Investments	-	-	-	-
Due From Other Funds	-	-	-	-
Total Current Assets	<u>2,009,239.92</u>	<u>1,989,372.89</u>	<u>-</u>	<u>3,998,612.81</u>
Noncurrent Assets				
Depreciable Capital Assets, Net	-	60,015.91	-	60,015.91
Total Assets	<u>\$ 2,009,239.92</u>	<u>\$ 2,049,388.80</u>	<u>\$ -</u>	<u>\$ 4,058,628.72</u>
Liabilities				
Accounts payable	\$ 63.18	\$ 2,230.98	\$ -	\$ 2,294.16
Accrued Compensated Absences	-	27,696.74	-	27,696.74
Due to Other Funds	-	385,160.85	-	385,160.85
Other Liabilities	-	-	-	-
Total Current Liabilities	<u>63.18</u>	<u>415,088.57</u>	<u>-</u>	<u>415,151.75</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	-	32,398.57	-	32,398.57
Total Liabilities	<u>63.18</u>	<u>447,487.14</u>	<u>-</u>	<u>447,550.32</u>
Fund Balances				
Investment in Capital Assets, Net of Related Debt	-	60,015.91	-	60,015.91
Unreserved	2,009,176.74	1,541,885.75	-	3,551,062.49
Total Fund Balance	<u>2,009,176.74</u>	<u>1,601,901.66</u>	<u>-</u>	<u>3,611,078.40</u>
Total Liabilities and Fund Balances	<u>\$ 2,009,239.92</u>	<u>\$ 2,049,388.80</u>	<u>\$ -</u>	<u>\$ 4,058,628.72</u>

Note: This statement is presented on the cash basis of accounting.

Run: September 24, 2008 at 08:47 AM



Virginia Information Technologies Agency
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Period Ended August 31, 2008

Program (Layout): RPT8052

	General Fund	Total Special Revenue Funds	Federal Funds	Totals
Revenues				
Appropriations	\$ 2,283,715.00	\$ -	\$ -	\$ 2,283,715.00
Sale of Geographic Data	-	68,369.00	-	68,369.00
Interest	-	-	-	-
Federal Grants	-	-	-	-
Other	-	832,432.04	-	832,432.04
Total Revenues	2,283,715.00	900,801.04	-	3,184,516.04
Expenditures				
Personal Expenses	264,467.23	769,692.12	-	1,034,159.35
Contractual Services	10,007.85	99,395.19	-	109,403.04
Supplies and Materials	63.18	39.00	-	102.18
Non-recurring Cost Estimate Payments to Providers	-	333.74	-	333.74
Rent, Insurance & Other Related Charges	-	14,496.34	-	14,496.34
Depreciation	-	3,343.78	-	3,343.78
Expendable Equipment/Improvements	-	712.83	-	712.83
Total Expenditures	274,538.26	888,013.00	-	1,162,551.26
Excess (deficiency) of Revenues over (under) Expenditures	2,009,176.74	12,788.04	-	2,021,964.78
Other Financing Sources (Uses)				
Payments to the Federal Government	-	-	-	-
Cash Transfers In (Pass Thru)	-	-	-	-
Transfers from Other Funds	-	-	-	-
Transfers Out	-	-	-	-
Transfers from the General Fund of the Commonwealth	-	-	-	-
Transfers to the General Fund of the Commonwealth	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,009,176.74	12,788.04	-	2,021,964.78
Fund Balances, July 1	-	1,589,113.62	-	1,589,113.62
Fund Balances, August 31	\$ 2,009,176.74	\$ 1,601,901.66	\$ -	\$ 3,611,078.40

Note: This statement is presented on the cash basis of accounting.

Run: September 24, 2008 at 08:48 AM